

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 L-02 H-02 /100 W

----- 077591

R 091005Z MAY 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2404

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

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PASS EXIM

E.O. 11652: N/A

TAGYXC ECON, AG

SUBJECT: EEC MEETING ON ALGERIAN ECONOMY

1. EEC ECONOMIC COUNSELORS HELD MONTHLY MEETING ON MAY 7, 1975. NET RESULT WAS CONTINUED FORECAST OF FINANCIAL AND ECONOMIC PROBLEMS.

2. ITALIAN AND FRENCH COUNSELLORS CONFIRMED SONATRACH SALES OF CRUDE TO ITALY FOR \$11.11 A BARREL AND \$11.16 A BARREL. FIAT, RENAULT AND LEYLAND HAVE ALL MADE BARTER DEALS IN SALES OF AUTOMOTIVE PROJECTS. AGIP HAS TAKEN OIL FOR FIAT AND BP IS TAKING OIL FOR LEYLAND. SOME OIL HAS BEEN OFFERED FOR RESALE AT \$10.40 A BARREL. SONATRACH IS NOW INSISTING THAT BARTER OIL BE REFINED IN PURCHASING COUNTRY. ALGERIANS LETTING ON THEY HAVE 5 TO 8 MILLION TONS OF OIL AVAILABLE FOR SALE IN 1975. THIS FITS  
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WITH PRESENT PRODUCTION OF ABOUT 40 MILLION TONS AND

CAPACITY TO PRODUCE AT ABOUT 50 MILLION TONS.

3. FRENCH AND ENGLISH REPORTED VERY LARGE FIRST QUARTER SALES AND TRADE SURPLUSES WITH ALGERIA. FRENCH CITE SURPLUS AS LARGE AS ALL OF LAST YEAR OR IN 1.6 TO 1.8 MILLION FRANC RANGE, ROUGHLY 400 MILLION DOLLARS.

4. FRENCH ALSO CITE SUPPLIER CREDITS TO ALGERIA NOW TOTAL 12 BILLION FRENCH FRANCS LONG-TERM AND 2 BILLION FRENCH FRANCS SHORT-TERM. OTHER EC COUNTRIES ARE GOING TO CALCULATE THEIR SUPPLIER CREDITS FOR NEXT EC LOCAL SESSION. EMBASSY HAS BEEN ASKED FOR US FIGURES. UK HAS ABOUT 310 MILLION POUNDS OF SUPPLIER CREDITS OUTSTANDING WITH SUBSTANTIAL AMOUNTS PENDING. UK HAS, HOWEVER, WITHDRAWN ITS OFFER TO SUPPLY CREDITS FOR ARZEW II LNG PROJECT.

5. EEC COUNSELORS ARE IN AGREEMENT THAT ALGERIA BADLY OVEREXTENDED WITH PRESENT 4-YEAR PLAN AND RETRENCHMENT NECESSARY. ONLY SIGN OF RETRENCHMENT IS ANNOUNCED PLAN TO IMPORT 36,000 PRIVATE VEHICLES HAS BEEN STOPPED. NO PRIVATE CARS WILL BE IMPORTED IN 1975 ACCORDING TO FRENCH.

6. ANOTHER POSSIBLE RETRENCHMENT WOULD BE SCRATCHING 100,000 UNIT AUTOMOBILE FACTORY. FRENCH BELIEVE PROJECT IS DEAD. EMBASSY BELIEVES THIS IS PARTLY SOUR-GRAPES THAT FRENCH HAVE NOT WON PROJECT. THIS IS BIGGEST PRESTIGE PROJECT OF 4-YEAR PLAN AND WILL NOT BE DROPPED EASILY, THOUGH ECONOMIC VIABILITY OF SUCH A HUGE PLANT MAY BE QUESTIONED. GENERAL MOTORS IS PREPARING A DETAILED SUBMISSION FOR THIS PLANT IN LATE MAY. PARKER

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